

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1925-06
Bill No.: HCS for SB 462
Subject: Agriculture and Animals; Securities
Type: Original
Date: April 30, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Pesticide Project Fund	\$1,068,693	\$1,068,606	\$1,066,321
State Schools Moneys Fund*	\$0	\$0	\$0
Veterinary Medical Board Fund	(\$2,666)	(\$2,728)	(\$2,792)
General Revenue Fund	Less than (\$150,000)	Less than (\$1,126,614)	Less than (\$1,213,678)
Total Estimated Net Effect on <u>All</u> State Funds**	Less than \$916,027	Less than (\$60,736)	Less than (\$150,149)

* Revenues and expenditures \$0 to exceeding \$960,000 and net to \$0. Subject to Appropriations.

** Does not include costs for Agroforestry, which are unknown. Portions of total are Subject to Appropriations

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government#	\$0	\$0	\$0

Revenues and expenditures \$0 to exceeding \$960,000 and net to \$0.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **University of Missouri - Outreach & Extension** anticipate no significant fiscal implications from the proposed legislation.

Officials from the **Office of State Courts Administrator, Coordinating Board for Higher Education, Department of Labor and Industrial Relations, and Office of State Treasurer** assume the proposed legislation would not have a fiscal impact on their agencies.

Officials from the **Department of Revenue (DOR)** assume the proposed legislation will not fiscally impact the DOR based on the following assumptions for the proposed legislation, by program:

Revenue Impact:

The Office of Administration, Budget and Planning, will estimate the general revenue impact.

Administrative Impact:

The DOR does not anticipate a significant increase in the number of new credits filed. Therefore, the DOR will not request additional FTE at this time. However, if the DOR is incorrect in this assumption, the DOR will need one Temporary Tax Season Employee for every 75,000 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Any FTE needed will be requested during the normal budget process.

Section 348.430.3

Currently there are a minimal number of credits being processed, so allowing claimants to apply to credit to estimated quarterly taxes can be accomplished in a manual mode of processing. The DOR will provide the taxpayer with a new form and voucher to apply this credit. If the number of taxpayers applying these credits to estimated quarterly taxes becomes significant, the DOR may not be able to process the credits manually, and programming costs for automated processing will be needed.

Officials from the **Department of Insurance (INS)** stated the INS cannot estimate the impact of the addition of a new type of project to the new generation cooperative agricultural credit program. The cap of \$6 million per fiscal year remains unchanged in section 348.434; therefore, the INS assumes no fiscal impact on total credits taken against premium tax.

ASSUMPTION (continued)

Officials from the **Department of Corrections (DOC)** stated that currently, the DOC cannot predict the number of new cases which may result from the creation of the offense(s) outlined in this proposal. An increase in cases depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in cost either through incarceration (FY 99 average of \$35.61 per inmate, per day) or through supervision provided by the Board of Probation and Parole (FY 99 average of \$2.47 per offender, per day).

The following factors contribute to the DOC's minimal assumption:

- 1) The DOC assumes the narrow scope of the crime will not encompass a large number of offenders; and,
- 2) The low felony status of the crime enhances the possibility of plea-bargaining or imposition of a probation sentence.

In summary, supervision by the DOC through probation or incarceration would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Oversight assumes that the conviction and incarceration of only one person would create a minimal fiscal impact of less than \$100,000 annually.

Officials from the **Office of Prosecution Services** assume the costs associated with the proposed legislation can be absorbed by the agency.

Officials from the **Office of Administration - Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to the BAP. There would be impact on total state revenue. Officials stated they do not have information available to estimate the cost of the tax credits. The BAP defers to the Department of Agriculture to provide this estimate.

Officials from the **Department of Conservation (MDC)** stated that sections 252.303 through 252.333, dealing with agroforestry, have an unknown fiscal impact on the MDC at the present time due to the permissive language of the legislation and uncertainty of availability of MDC funds. For the other sections of the proposal, it is assumed there will be no fiscal impact to the MDC.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources (DNR)** provided the following assumptions for the proposed legislation:

Section 252 (Agroforestry)

This proposal would have no direct fiscal impact on the DNR.

Section 262 (Farmland Protection)

The proposed legislation allows the state or political subdivisions to hold water and sewer assessments in abeyance until improvements on rural property or more than 10 acres are connected to the system. This does not affect the DNR's authority. Therefore, these provisions would have no direct fiscal impact on the DNR.

Section 278 (Watershed Districts)

The proposed legislation relates to Public Law 566, watershed projects. There are no state funds used for the PL 566 effort. Therefore, the DNR will not be fiscally impacted by this legislation.

Changes the name of the Farmers Home Administration to the United States Department of Agriculture's Rural Development.

Section 414 (Biodiesel Buses)

Implementation is the responsibility of the Department of Elementary and Secondary Education. Funding is subject to appropriation.

Officials from the **Office of Secretary of State (SOS)** stated based on experience with other divisions, the rules, regulations, and forms required as a result of the proposed legislation could require as many as 24 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimates. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn. The SOS estimates the cost in FY 01 to be \$1,476 [(24 pgs. x \$27) + (36 pgs. x \$23)].

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

ASSUMPTION (continued)

Officials from the **Department of Economic Development–Division of Professional Registration (DPR)** assume the following:

- ▶ The majority of contracts entered into would be for a five year period.
- ▶ The student loan repayment would be appropriated from General Revenue and placed in the Large Animal Veterinary Medicine Loan Repayment Program Fund. The cost for student loan repayment would be up to \$50,000 the first year for five participants, \$100,000 the second year for 10 participants, and \$150,000 the third year for 15 participants. The annualized fiscal impact for this fiscal note would be \$150,000. The maximum repayment would be up to \$250,000 per year for 25 participants. This does not include expenses incurred to administer the program.
- ▶ The additional responsibilities and expenses, with the exception of the additional board's meeting expenses, that would be incurred to administer the legislation could be absorbed by existing staff. However, it could be necessary to add additional FTE in the future to handle the increase in workload that would occur as the program grows.
- ▶ The board would need to establish guidelines for ensuring that the participants of the program adhere to their contractual agreement. It is assumed that existing staff could absorb the additional duties required to ensure proper contractual agreement. However, additional FTE could be necessary as the program grows.
- ▶ One additional board member meeting per year would be needed in order to determine five qualified individuals for the program and the area of need the five individuals would practice. The six board members appointed would each be paid \$50 per diem.
 $6 \text{ board members} \times \$50 \text{ per day} \times 2 \text{ days} \times 1 \text{ additional meeting} = \600 per year.
- ▶ The additional board meeting per year would have the following travel expenses. The total cost would be \$2,066:

Mileage: It is estimated that each board member would drive an average of 240 miles round trip x 1 additional meeting per year x 6 members x \$.285 per mile = \$410.

Lodging: It is estimated that each board member would have additional hotel costs of \$75 per night x 2 additional night per year x 6 members = \$900

Meals: Meal costs are estimated at \$35 per day x 2 days x 1 additional meeting per year x 9 individuals (includes the AG Representative, Principal Assistant and the Clerk IV) = \$630. In addition, a dinner meal for the evening prior to the meeting would cost \$21 x 1 meeting x 6 members = \$126. Therefore, total meal expense would be \$756.

ASSUMPTION (continued)

The DPR has included the cost of loan repayments in the General Revenue Fund. The proposal states that moneys in the Large Animal Veterinary Medicine Loan Repayment Program Fund would be used by the Missouri Veterinary Medical Board to provide loan repayments.

Oversight assumes the income to the Large Animal Veterinary Medicine Loan Repayment Program Fund would be minimal since the income would be from a breach of contract between the individual and the board.

Assuming the school districts utilize the maximum amount allowed under the bill, based on .007 of \$132,373.402 (entitlement authorized for 1998-99) and a 4% growth for three years, officials of the **Department of Elementary and Secondary Education** indicated that the maximum effect of the proposal would be:

2002-03: \$132,373,402.00 x .007 = \$ 926,613.81
2003-04: \$ 926,613.81 x 1.04 = \$ 963,678.37
2004-05: \$ 963,678.37 x 1.04 = \$ 1,002,225.50
2005-06: \$ 1,022,225.50 x 1.04 = \$ 1,042,314.52

Officials from the **Department of Agriculture(AGR)** stated that it will require one Program Coordinator to administer this program, i.e., to account for all money and solicit, review and fund grant proposals. It would require the Program Coordinator to visit all funded projects 2-4 times per year to make sure requirements of grant and/or Memorandum of Understanding are being fulfilled. One-half time clerical person would be needed to handle all clerical work such as typing Memorandum of Understandings, financial accounting, filing and other clerical work. All personal services funding will come from the "Pesticide Project Fund.", i.e., no general revenue funding.

Officials from the **Office of State Public Defender (SPD)** did not respond to our request for fiscal impact.

Oversight assumes that any costs incurred by the SPD would be minimal and could be absorbed within current funding levels.

FISCAL IMPACT - State Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

PESTICIDE PROJECT FUND

HW-C:LR:OD (12/00)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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<u>Income - Department of Agriculture</u>			
Pesticide Registration Fees	\$1,160,000	\$1,160,000	\$1,160,000

<u>Department of Agriculture</u>			
Personal Services (2.0 FTE)	(\$55,730)	(\$68,547)	(\$70,261)
Fringe Benefits	(\$18,575)	(\$22,847)	(\$23,418)
Equipment and Expense	(\$17,002)	\$0	\$0
Total <u>Costs</u> - Department of Agriculture	(\$91,307)	(\$91,394)	(\$93,679)

NET ESTIMATED EFFECT ON PESTICIDE PROJECT FUND	<u>\$1,068,693</u>	<u>\$1,068,606</u>	<u>\$1,066,321</u>
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STATE SCHOOL MONEYS FUND

<u>Income</u> - Transfers from General Revenue Fund	\$0	\$0 to \$926,614	\$0 to \$963,678
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<u>Costs</u> - Distributions to School Districts	\$0	(\$0 to \$926,614)	(\$0 to \$963,678)
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ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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* Revenues and expenditures \$0 to
\$960,000 and net to \$0.

**VETERINARY MEDICAL
BOARD FUND**

<u>Cost</u> -DPR Board Meeting Expenses	(\$2,666)	(\$2,728)	(\$2,792)
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ESTIMATED NET EFFECT ON VETERINARY MEDICAL BOARD FUND	<u>(\$2,666)</u>	<u>(\$2,728)</u>	<u>(\$2,792)</u>
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GENERAL REVENUE FUND

<u>Costs - Department of Corrections</u>			
Parole and Incarceration Costs	(Unknown less than \$100,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
Total <u>Costs</u> - Department of Corrections	(Unknown less than \$100,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)

GENERAL REVENUE (cont.)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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Costs - Department of Elementary and
 Secondary Education

Transfer to State School Moneys Fund	\$0	(\$0 to \$926,614)	(\$0 to \$963,678)
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- SUBJECT TO APPROPRIATION -

Costs - Department of Conservation

Agroforestry Costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Total <u>Costs</u> - Department of Conservation	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>Costs</u> -DPR Loan Repayments	<u>(\$50,000)</u>	<u>(\$100,000)</u>	<u>(\$150,000)</u>
Total <u>Costs</u> - DPR Loan Repayments	<u>(\$50,000)</u>	<u>(\$100,000)</u>	<u>(\$150,000)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**	<u>Less than</u> <u>(\$150,000)</u>	<u>Less than</u> <u>(\$1,126,614)</u>	<u>Less than</u> <u>\$1,213,678)</u>
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**** Does not include costs for Agroforestry, which are unknown.**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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SCHOOL DISTRICTS

<u>Income</u> - Increased State Aid	\$0	\$0 to \$926,614	\$0 to \$963,678
<u>Costs</u> - Difference between market price of diesel and cost of biodiesel	\$0	<u>(\$0 to \$926,614)</u>	<u>(\$0 to \$963,678)</u>

ESTIMATED NET EFFECT ON SCHOOL DISTRICTS#	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
# Revenues and expenses \$0 to exceeding \$960,000 and net to \$0.			

FISCAL IMPACT - Small Business

Small businesses which are biodiesel fuel distributors, manufacturers or retailers and new generation cooperatives could be affected by this proposal and other small businesses could be affected by other measures in the proposed legislation. The impact is unknown.

DESCRIPTION

This proposal removes the restriction on cooperative marketing associations dealing with

non-members. The restriction is removed from Section 274.060, RSMo which deals with Cooperative Marketing Associations and the definition Section 409.401, RSMo, dealing with securities.

For school years 2002-2003 to 2005-2006, this bill allows school districts to establish contracts with nonprofit, farmer-owned new generation cooperatives to supply bus fuel containing at least 20% biodiesel. Subject to appropriation, districts that establish contracts will receive additional state school aid for costs above the market price for regular diesel fuel. Initial statewide payments are capped at 0.7% of the 1998-1999 entitlement for state transportation aid, but may be increased by 4% each year.

This bill creates the Large Animal Veterinary Medicine Loan Repayment Program. The Missouri Veterinary Medical Board will designate counties, communities, or portions of rural regions as areas needing large animal veterinary services. A veterinary student meeting certain requirements may enter into a contract with the board for repayment of educational loans. If the student agrees to serve 5 years or more in a board-designated area, the board may pay up to \$10,000 for each year the student agrees to serve in the area. Provisions for failure of the student to meet contractual obligations are included in the bill. The board may authorize repayment for up to 5 veterinarians each year.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Office of Administration - Budget and Planning

HW-C:LR:OD (12/00)

Coordinating Board for Higher Education
Office of State Courts Administrator
Department of Economic Development - Professional Registration
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Insurance
Department of Conservation
Office of Prosecution Services
Office of Secretary of State
Office of State Treasurer
University of Missouri - Outreach and Extension

NOT RESPONDING: State Public Defender

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is fluid and cursive, with the first name "Jeanne" being more prominent than the last name "Jarrett".

Jeanne Jarrett, CPA
Director
April 30, 2001